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November 14, 2001

VIA ELECTRONIC FILING

David P. Boergers
Acting Secretary
Federal Energy Regulatory Commission
888 First St., N.E.
Washington, DC 20426

Re: Docket No. RM01-12-000

In response to the Commission's Notice of Workshop Organization and Agenda regarding Electricity Market Design and Structure, Portland General Electric Company filed written comments electronically on November 9, 2001. However, Exhibit A was inadvertently omitted from the filing. As a result, PGE is hereby resubmitting its Comments in its entirety.

Sincerely,

V. DENISE SAUNDERS, P.C.

/s/

V. Denise Saunders
Attorney for
Portland General Electric Company

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Electricity Market Design and Structure) Docket No. RM01-12-000

COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY

Pursuant to the Notice of Extension of Time and Opportunity to Submit Comments on Regional Transmission Organization Issues Discussed at Workshops issued by the Federal Energy Regulatory Commission ("Commission") on October 30, 2001, Portland General Electric Company ("PGE") hereby submits the following comments.

PGE is currently a wholly owned subsidiary of Enron Corporation providing wholesale and retail electric service to over 700,000 customers in the Portland, Oregon area. PGE is involved in the generation, transmission and distribution of electric energy. PGE's principal place of business is 121 SW Salmon St., Portland, Oregon 97204.

PGE, along with Avista Corporation, the Bonneville Power Administration, Idaho Power Company, Montana Power Company, Nevada Power Company, PacifiCorp, Puget Sound Energy, Inc. and Sierra Pacific Power Company (collectively, the "RTO West Filing Utilities") has filed a proposal to form a regional transmission organization (referred to as "RTO West") in compliance with the requirements of FERC Order 2000[1]. In addition, on April 26, 2000, PGE, along with six of the RTO West Filing Utilities[2] received Commission approval of its application to form TransConnect, an independent transmission company that is designed to operate within an RTO.

PGE understands that the Commission is moving forward expeditiously to establish efficient electric markets in an era when electric transmission systems will be operated by Regional Transmission Organizations ("RTOs"). PGE appreciates the opportunity to submit comments in response to the RTO workshop sessions held in Washington D.C. on October 15-19. PGE's comments are focused on issues related to Congestion Management and Transmission Planning and Expansion.

[1] *See,* Avista Corp., et. al., *Supplemental Compliance Filing and Request for Declaratory Order Pursuant to Order 2000*, Docket No. RT01-35-000, October 23, 2000 and *Amended Supplemental Compliance Filing and Request for Declaratory Order Pursuant to Order 2000*, Docket No. RT01-35-000, December 1, 2000. British Columbia Hydro and Power Authority (BC Hydro) has also joined RTO West as a filing utility.

[2] Avista Corporation, The Montana Power Company, Nevada Power Company, Portland General Electric Company, Puget Sound Energy, Inc., and Sierra Pacific Power Company. Puget Sound Energy, Inc. has since withdrawn from the TransConnect application.

Congestion Management

There were many panelists at the FERC workshops who endorsed the PJM locational marginal pricing model of congestion management. PGE agrees with many of the economic principles embedded in PJM approach including the necessity of efficient short run marginal cost based pricing and the principle that congestion should be reflected in prices differentiated by location and time. Some parties have indicated that the PJM congestion management model may not be well suited for application in the West. It is true that there are significant differences between the Eastern and Western Interconnections that may make implementation of the PJM model more difficult in the West. Nonetheless, PGE believes that parts of the PJM model could be applied in a manner that takes into account such differences. However, it will be important that any standards issued by FERC permit the development of a congestion management model that can be tailored to the unique aspects of the Western Interconnection.

PGE agrees with those panelists who suggested that a congestion management model should embody the following principles: (1) a day ahead process that provides locational marginal prices which reflect transmission constraints, produces feasible schedules, and ensures reliability and security of operation; (2) a real time process that manages the system at least cost and also reflects locational pricing resulting from transmission constraints; (3) transmission rights for hedging congestion management price risks; and (4) market mechanisms (e.g. hubs) that facilitate forward trading and liquidity. PGE suggests that any congestion management standards that might be implemented by FERC require such principles to be applied on day one of RTO operation.

Transmission Planning and Expansion

PGE agrees with the panelists who advocated a market driven expansion process. As several commenters noted, the existing transmission system is in some locations underbuilt and over-utilized and a planning and expansion approach that facilitates market solutions will be the most effective way of resolving transmission constraints. It is PGE's belief that the role of the RTO should be to facilitate a participatory planning process, but not to force transmission solutions. The RTO can best serve the process by publicizing information such as the location of constraints, congestion costs, and letting the market respond. FERC should ensure that proper incentives are in place to encourage market participation in transmission solutions. TransConnect has prepared a Pro Forma Planning and Expansion Protocol that embodies these concepts. PGE has attached a copy of the TransConnect Pro Forma Planning and Expansion Protocol hereto as Exhibit A and suggests that it could be used as a model for establishing standards governing the sharing of planning functions between a RTO and an ITC.

PGE also agrees with those panelists who indicated that an independent for-profit transmission company will have the right incentives to invest in congestion-relieving infrastructure. PGE urges FERC to continue to encourage the formation of ITCs and suggests that any standards implemented by FERC should provide ITCs with flexibility in assessing, planning, proposing, and constructing new transmission.

Dated this 9th day of November, 2001.

Respectfully Submitted,

_____

Stephen R. Hawke
Vice President Delivery System Planning & Engineering
Portland General Electric Company

TransConnect Pro Forma *Planning and Expansion Protocol*

TABLE OF CONTENTS

GENERAL DESCRIPTION

Definitions

Capitalized terms used in this* pro forma *Planning and Expansion Protocol shall have the meanings specified in Exhibit A.

Purpose

The Commission has indicated that responsibility for certain functions required of a Regional Transmission Organization ("RTO") in Order No. 2000, including transmission planning and expansion, could be shared in specified circumstances. TransConnect plans to operate as a customer oriented independent transmission owning company, owning or managing assets in one or more RTOs.

This *pro forma* Planning and Expansion Protocol ("Protocol") describes the framework and processes that will be followed for planning and expanding the TransConnect Transmission System. This Protocol is intended to work in tandem with an RTO planning and expansion protocol to ensure a meaningful and well-coordinated sharing of the planning and expansion function.

2.0 TRANSMISSION COORDINATION PROCESS

TransConnect will coordinate its planning and expansion processes with the RTO. This coordination process is designed to ensure that TransConnect's planning and expansion needs will be met, and that overall interconnected system needs will be satisfied.

2.1 Planning Alternatives

TransConnect will work with the RTO and other applicable regulatory authorities that may have specific least cost planning requirements, and will fully comply with any applicable laws or regulations governing such requirements. As a for-profit independent transmission company, TransConnect will pursue and propose transmission solutions where requested, or where TransConnect believes such projects would be economic. Transmission solutions are often high cost, high lead-time solutions that require significant and careful advance planning. If TransConnect fails to consider least cost alternatives, it may find it has uneconomic or under-performing assets. However, TransConnect's governance limits it to transmission-related projects; thus TransConnect cannot implement alternative, non-transmission solutions that may be considered as part of a least cost planning process.

2.2 Procedures

To accomplish a coordinated interface for the region, the RTO will receive all generation interconnection and transmission service requests.

Any request received by the RTO for transmission service within the TransConnect service territory or related to TransConnect facilities shall be forwarded to TransConnect to conduct appropriate studies and analyses in accordance with the policies and procedures contained in the RTO OATT and this Protocol. The results of the studies and analyses will be provided to the RTO, as appropriate, for review. TransConnect will also be provided an opportunity to consider requests in other service territories to the extent the transmission owner in that service territory declines to consider such a request.

Should a request received by the RTO impact other facilities in addition to TransConnect's, the RTO shall coordinate a joint study with TransConnect and the other transmission owner(s). The joint study will be completed in accordance with the timeframe established in the RTO OATT and submitted to the RTO for review.

The RTO shall, within sixty (60) days following submission of a project proposed by TransConnect, make a determination as to whether the project will adversely affect system reliability, and whether or not there are system-wide benefits, unless a longer review period is mutually agreed upon.

If the project involves more than one RTO, an *ad hoc* committee will be formed within 15 days by the RTOs to make a determination as to whether the project will adversely affect regional or RTO system reliability, and whether there are system-wide benefits to the RTOs. Such committee shall act within sixty (60) days of formation, unless a longer review period is agreed upon.

To the extent that approval is required, approval of requests for system additions, modifications and expansions of the TransConnect Transmission System that do not impair reliability or bulk transmission capability of the RTO transmission system shall not be unreasonably delayed or withheld.

Entities providing information to TransConnect may designate such data as being confidential commercial information, consistent with FERC policy regarding the confidentiality of commercial information. TransConnect shall not make such data available to third parties without the agreement of the providing entity unless required to do so by a court or regulatory agency with jurisdiction over TransConnect.

2.3 Dispute Resolution

If TransConnect is unable to reach agreement on matters covered by this Protocol, TransConnect may request dispute resolution in accordance with the RTO's dispute resolution procedures.

3.0 TRANSMISSION PLANNING

3.1 Local Area Planning

TransConnect shall assume the Local Area Planning function for the Load Serving Entities ("LSEs") served by the TransConnect Transmission System. Local Area Planning is the planning for facilities that are within the TransConnect service territory or related to TransConnect facilities necessary to satisfy the needs of LSEs served by the TransConnect Transmission System. TransConnect will coordinate with the LSEs to consider least cost alternatives, including non-transmission solutions. Such planning may include the identification of candidate projects to reduce or eliminate congestion within the TransConnect service territory. Specific Local Area Planning activities include, but are not limited to, the following:

A) Assess and subsequently develop expansion plans associated with local area Transmission Systems at or near where power exits the Transmission System to service LSEs. The Local Area Planning Process shall be conducted in accordance with NERC and applicable regional standards.

B) Perform studies with participation and coordination from each LSE served by TransConnect in order to determine potential reliability problems and identify solutions to such problems to meet the needs of the LSEs. The results of these studies shall be documented and presented by TransConnect to the LSEs for their comments.

C) Provide study findings, including potential solutions, to LSE if the studies performed pursuant to the Local Area Planning Process indicate a need for incremental transmission facilities.

D) TransConnect will have the primary responsibility for recommending and implementing the necessary facility additions identified through the Local Area Planning process.

The results and recommendations of such Local Area Planning performed by TransConnect shall be subject to review and approval by the RTO and would be used in the regional planning process performed by the RTO. However, projects funded in accordance with a participant funding agreement that do not adversely impact the transfer capability or reliability of the RTO are not subject to further RTO overview or approval.

Analysis performed pursuant to the Local Area Planning Process (including potential solutions) will be provided to the LSE and included in the sub regional and regional processes. All completed studies and the results will be provided to the RTO for posting and will be available (except for data designated as confidential pursuant to this Protocol) upon request.

3.2 System Impact Studies

TransConnect will perform system impact studies necessary to evaluate requests for transmission service on TransConnect facilities. A request for service is submitted to the RTO and forwarded to TransConnect. TransConnect will perform the study in accordance with NERC and applicable regional standards and the processes and procedures contained in the RTO OATT. The results of the impact study will be provided to the RTO for use in evaluating the transmission requests and developing expansion plans.

Should a request received by the RTO impact other facilities in addition to TransConnect's, the RTO shall coordinate a joint study with TransConnect and the other transmission owner(s). The joint study will be completed in accordance with the timeframe established in the RTO OATT and submitted to the RTO for review. This will ensure there are no seams issues resulting from sharing the planning function, and that requests for service are addressed in a timely manner through one rather than two or more separate studies.

3.3 Interconnection Studies

TransConnect will be delegated authority to perform interconnection studies. All requests for interconnection within the TransConnect service territory or related to TransConnect facilities will be submitted to the RTO and forwarded to TransConnect. TransConnect will have the responsibility to evaluate any requests to interconnect to TransConnect transmission facilities. TransConnect will perform the study in conformance with NERC and applicable regional standards and generation interconnection procedures that have been established by the RTO and approved by the Commission. Once the study is completed and reviewed by the requesting party, the results will be provided to the RTO for review and approval.

Generation interconnection planning activities include, but are not limited to, the following:

A) Determine whether there is capability to provide the generation interconnection service at the requested point of receipt consistent with the specifics of the request (i.e. megawatt capability of generators, etc.) and, if not, whether incremental transmission facilities are required. TransConnect may propose alternative plans for physical connection and additional system reinforcements to accommodate connection of the generator. The results of the study shall be documented and provided to the entity requesting generation interconnection.

B) Provide requestor with findings, including potential solutions, if the studies performed pursuant to the generation interconnection planning process indicate a need for incremental transmission facilities. Once the study is completed, the availability of non-confidential studies will be posted on OASIS.

TransConnect will have the primary responsibility for recommending and implementing the necessary facility additions to accommodate the connections of new load and generation to the TransConnect Transmission System.

Should a request received by the RTO impact other facilities in addition to TransConnect's, the RTO shall coordinate a joint study with TransConnect and the other transmission owner(s). The joint study will be completed in accordance with the timeframe established in the RTO OATT and submitted to the RTO for review. This will ensure there are no seams issues resulting from sharing the planning function and that requests for service are addressed timely through one rather than two or more separate studies. Approval of requests for system additions, modifications and expansions of the TransConnect Transmission System that do not impair reliability or bulk transmission capability of the RTO transmission system shall not be unreasonably delayed or withheld.

3.4 Other Studies

TransConnect may perform additional studies as appropriate to support the objectives of the RTO planning process, and to meet the Order No. 2000 principle of encouraging market-motivated operating and investment actions for preventing and relieving congestion. These other studies may include, but are not limited to, analysis of cost-effective solutions to identified system problems, studies for other market participants performed at their request, operating, maintenance, and outage planning studies.

4.0 TRANSMISSION EXPANSION BY TRANSCONNECT

TransConnect may engage in expansion projects that may include, but are not limited to: (i) changing of network resources; (ii) elimination or reduction of load pockets; (iii) upgrades for point-to-point customers or generators; (iv) deliverability of network resources; and (v) export or import-related upgrades. Approval of transmission expansion projects that do not impair reliability or bulk transmission capability of the RTO transmission system shall not be unreasonably delayed or withheld.

Expansion projects may include those proposed through an open season for all market participants, projects financed by TransConnect, projects with direct assignment facilities or projects with system-wide benefits. To the extent that new power supply options require transmission expansion, TransConnect will evaluate upgrades and expansions to accommodate such requests in a non-discriminatory manner in accordance with Commission policy.

Subject to procedures detailed in Section 2 above, TransConnect shall have a right to construct and own transmission projects proposed and planned by TransConnect. If any such project requires a competitive bidding process, TransConnect shall have the right, but not the obligation, to match the lowest bid to construct such project. Additionally, TransConnect expects to participate in a competitive bidding process for projects proposed by the RTO or other entities.

EXHIBIT A: Definitions

NERC – North American Electric Reliability Council

OASIS – Open Access Same-time Information System

OATT – Open Access Transmission Tariff

TransConnect – TransConnect, L.L.C. is a for-profit limited liability company created to own or manage transmission assets.

TransConnect Transmission System – The collective transmission assets contributed to or placed under functional control of TransConnect for operation and planning.